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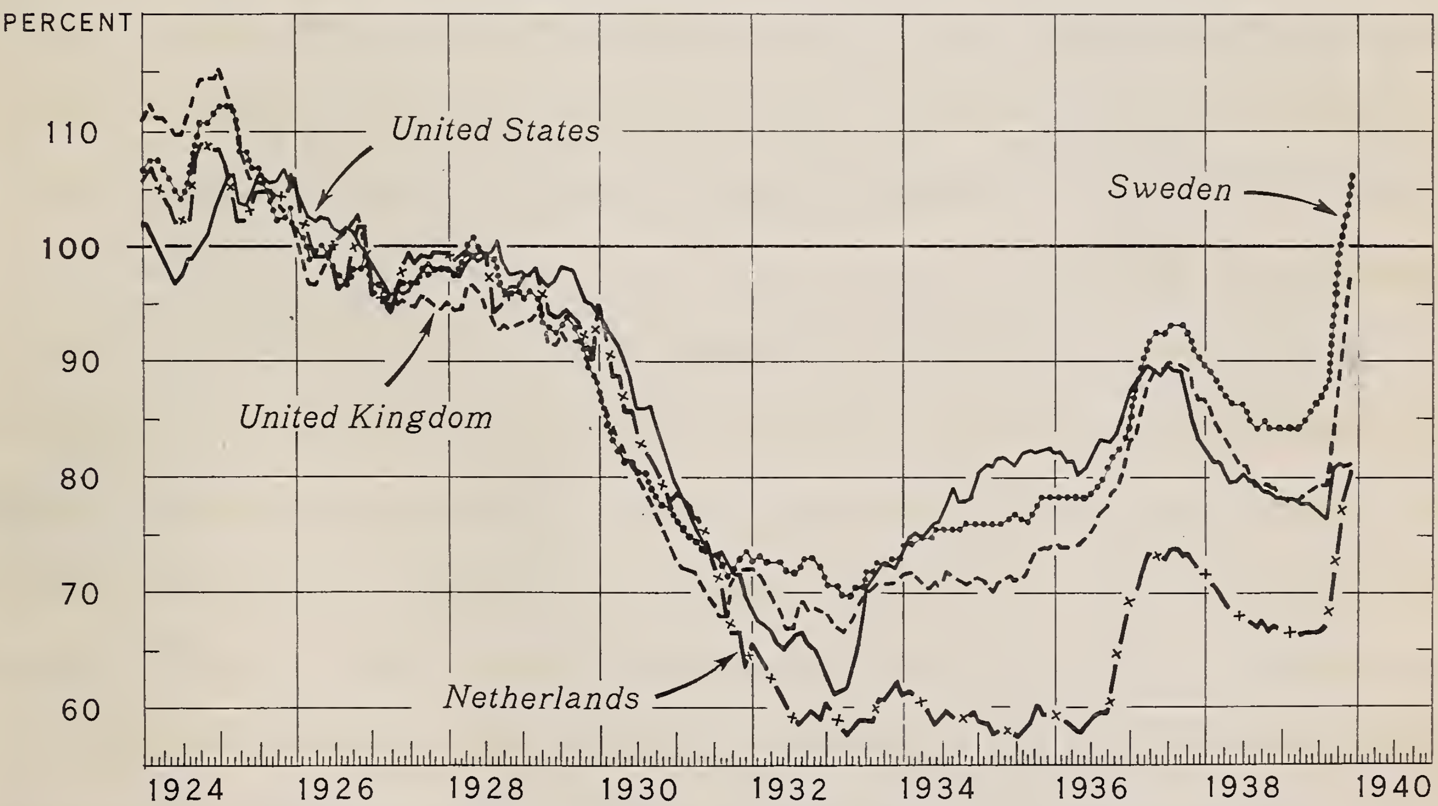
THE DEMAND AND PRICE SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, D.C. FEBRUARY 17, 1940

WHOLESALE PRICES, UNITED STATES COMPARED WITH THREE EUROPEAN COUNTRIES, 1924-39

INDEX NUMBERS (1924-29=100)



U. S. DEPARTMENT OF AGRICULTURE NEG. 38025 BUREAU OF AGRICULTURAL ECONOMICS

Wholesale commodity prices have advanced more in Europe since the outbreak of war than they have in this country. In the United Kingdom (where strict governmental wartime price controls are in effect) depreciation in Sterling exchange has been a factor in the price rise, but in the neutral countries, Sweden and the Netherlands, fluctations in exchange rates have not been significant. It is evident that wartime governmental controls over commodity prices have not been entirely successful in holding down price increases, but they probably will be more effective in limiting further advances than similar efforts during previous wars.

SUMMARY

The decline in industrial activity during January apparently had little or no effect upon consumer demand for farm products. The improvement in the general level of farm prices which has occurred since December apparently was due mostly to unusual weather conditions affecting supplies, rather than to changes in demand. The recession in industrial production which appeared in January is continuing at about the same rate. Though no immediate turnabout is in prospect, the decline probably will be halted in time to prevent any major decrease in consumer income and demand for farm products.

Latest export data offer added confirmation of earlier expectations that the European war would be an adverse influence on the export demand for our farm products. However, as an offsetting influence, domestic demand is being bolstered by increasing industrial exports. These tendencies are expected to continue.

Wholesale commodity prices have declined since mid-January along with the recession in industrial activity. The price weakness was noticeable for all except farm and food products, some of which were influenced by reduced market supplies brought about by weather conditions. Pressure on prices will continue until the decline in industrial activity halts, unless in the meantime unexpected European war developments become a more dominant factor.

The general level of prices received by farmers in February probably was higher than in January, partly as a result of weather conditions which caused sharp advances in prices of such products as fruits, vegetables, and eggs. Prices paid by farmers have changed very little during the past 5 months, whereas prices received have increased some. During this period prices received by farmers have averaged 80 percent as high relative to prices paid as they did during the 1910-14 pre-war period.

Farm income increased in January after adjustment for the usual seasonal movement, and was above the low income a year earlier. Both prices and the volume of marketings are expected to hold above the relatively low levels of 1939 during the next few months.

A summary of the situation by commodities:

Cotton: Cotton prices in domestic markets showed little net change from mid-January to mid-February. Domestic mill consumption continues exceptionally high despite recent declines. Mill consumption in many foreign countries continues much above a year ago but is greatly restricted in central Europe. Exports of American cotton in recent weeks have been more than three times as large as in the corresponding period last year.

Wheat: Domestic wheat prices declined during the last half of January but have since advanced to about the same levels as in mid-January. Gulf prices of hard winter wheat continue at about 28 cents per bushel above export parity, while prices of domestic spring wheat at Buffalo are only about 9 cents lower than approximately the same quality of Canadian wheat, c.i.f., duty paid, at Buffalo.

Feed grains: Prices of feed grains weakened slightly in late January and early February, but feed-price ratios continue unfavorable to livestock producers. Over 150 million bushels of 1939 corn were reported as sealed for loan up to February 9.

Oilseeds and fats and oils: Prices of cottonseed, soybeans, flaxseed, and peanuts in January continued the advances begun last September, and ranged from 5 to 38 percent higher than in January 1939. Increased prices of high-protein meals, cotton linters, and linseed oil, and reduced stocks of cottonseed were among the factors responsible for strength in prices of oilseeds. Prices of most domestic food fats in January, however, were low. The United States produced 8.4 billion pounds of fats and oils from domestic materials in 1939, reduced its imports (mostly of industrial fats), increased exports of lard and soybeans, and consumed a record total of 9.8 billion pounds.

Hogs: The seasonal decrease in hog marketings now in progress probably will continue through March, but marketings will increase seasonally in the late spring and early summer as the movement of fall pigs gets under way in large volume. Supplies during the remainder of the marketing year (to October 1) will continue much larger than a year earlier. Prices of hogs in January continued at the low level reached in the last half of December. Average weights of hogs marketed in recent weeks were lighter than a year earlier, reflecting the current unfavorable relation between hog prices and corn prices.

Cattle: Slaughter supplies of cattle in January were substanial-ly larger than a month earlier, reflecting the increase in the number of cattle put on feed last summer and fall. Prices of most kinds of cattle tended lower in January. Marketings of short-fed cattle have increased sharply in the past 2 months, while supplies of choice well-finished cattle have been reduced.

Lambs: Slaughter supplies of sheep and lambs increased sharply in January. Lamb prices strengthened moderately during the first 3 weeks of January but declined somewhat in the latter part of the month and in early February. Prospects are good for early lambs in California, Arizona, and Texas.

Wool: Domestic supply conditions are relatively favorable for the marketing of the 1940 wool clip in the United States. Domestic mill consumption in 1940, on the other hand, may not be so large as in 1939. Mill consumption in 1939 was larger than in any recent year, except 1935. Domestic wool prices declined in January and the early part of February. Prices of domestic wool at Boston in recent months have been higher than prices (duty paid) of similar wools for import from South Africa and South America. Wool prices in foreign markets advanced in January.

Butter: Butter prices advanced from December to January instead of making the usual seasonal decline. Even though there is some further decline in business activity, it is expected that during the remainder of the feeding period butter prices will average considerably higher than in the corresponding period of 1939.

Poultry: Egg production per hen was sharply reduced by the widespread cold weather, but the effect on total production was offset somewhat by the larger average size of flock compared with a year earlier. Market receipts of eggs have been smaller and wholesale prices of eggs have advanced. Receipts of dressed poultry apparently have been affected little by the adverse weather.

Fruits and vegetables: Market prices of most vegetables have risen sharply in recent weeks as a result of the reduction of supplies occasioned by the freezing weather in Florida and Texas. Severe freeze damage in Florida and Texas during late January reduced production prospects and retarded marketings of winter oranges and grapefruit. Prices for these two fruits advanced sharply and in early February averaged substantial-ly higher than both a month earlier and a year earlier. Market prices of storage apples and pears rose seasonally during the month ended in mid-February. Market prices of old stock potatoes have changed little in recent weeks, but those of the new crop have advanced sharply. The freeze in south Florida destroyed the growing crop and reduced production prospects materially.

DOMESTIC DEMAND

Changes in conditions affecting the domestic demand for farm products have been adverse since the turn of the year in contrast to the sharp improvement in the late months of 1939. Industrial production declined from 128 percent of the 1923-25 average in December to 120 percent in January. Apparently it is experiencing a similar drop in February, and a further decline is in prospect before the downward trend is reversed. This decrease in industrial activity no doubt will be reflected in some recession in consumer income and the demand for farm products; but changes in income will be considerably less pronounced than, and will lag behind, the decline in production.

During the late months of 1939 production of industrial commodities ran well ahead of distribution to final consumers. This was partly a result of increased forward buying by secondary processors and distributors, following the outbreak of war in Europe. The present recession in industrial production will aid in restoring a better balance between output and distribution. Inasmuch as consumer buying is holding up well, commodity prices in general do not appear to be in a particularly vulnerable position, and business men in general will probably desire to maintain adequate inventories against the contingency of future wartime price advances, the present decline in output is not looked upon as the beginning of a severe and prolonged depression.

Available data do not give a very reliable indication of how much further industrial production will have to recede before new orders are received in sufficient volume to make further adjustments unnecessary. In the case of steel, for example, the trade estimates that new business is now running around 45 percent of capacity for the industry, whereas operations have declined to about 69 percent. The big difference between these two figures indicates that the industry is rapidly eating into the large back-log of unfilled orders built up last fall. No one knows, however, the exact size of this back-log, or of the inventories now in the hands of manufacturers using steel who will have to begin buying again as their supplies dwindle. Large users of steel in recent years have been rather successful in obtaining price concessions by delaying purchases when general conditions in the industry were uncertain. If this performance is repeated during the present recession, the receipt of new orders by steel mills may continue to be erratic. This would tend to prolong the present recession, but could result in a more vigorous come-back when orders finally are placed. The automobile industry is expected to be the first to furnish substantial additional business for steel. One large automobile manufacturer is reported to have placed orders for a part of his steel requirements covering the next few months, and this may serve to lead the way for others. One large foreign order for steel also was placed recently, and additional inquiries are reported. In view of all these conditions, steel business may be picking up in the late spring at a time when steel ordinarily is declining seasonally.

After just having passed through one of the most active periods in history, the textile industry is approaching a time when either operations must be cut rather sharply or new business must show considerable revival. Textile output has been far above new orders booked, except for short-

periods, since last September. However, there is apparently no serious inventory situation in the textile industry, and since no major decline in consumer demand is anticipated the outlook for 1940 as a whole is not as bad as the immediate situation might indicate.

Construction activity in early 1940 will be somewhat below that of a year earlier, when work was increasing on the large public projects which had reached the contract stage late in 1938. According to F. W. Dodge reports, January contracts awarded for building and construction in the 37 States east of the Rockies were 22 percent lower than a year earlier. However, residential contracts held at about last year's level despite less favorable weather conditions.

The automobile industry started 1940 at record levels for the season. Unseasonable weather no doubt has temporarily retarded sales to domestic consumers, but the immediate outlook for automobiles appears more satisfactory than for the foregoing industries. Passenger car exports, however, have been small since the European war started.

Since August, exports of aircraft, machine tools, steel products, chemicals, and some other industrial products have increased considerably. The increase in the value of all nonagricultural products exported for the September-December period as compared with the corresponding 4 months a year earlier amounted to 28 percent, whereas in the previous 8 months of 1939 such exports had exceeded 1938 by only 2.3 percent. Inasmuch as shipping difficulties were unusually severe in the early war period and coordinated buying policies of the belligerents were not yet formulated, the September-December increase in exports offers considerable encouragement to foreign demand prospects for industrial products in 1940. Additional tangible evidence of improved export demand prospects is to be found in the large increase in inquiries from abroad.

Speculative markets for farm products are already reflecting the current adverse trend in domestic industrial operations, and some falling off in consumer demand must be expected during the next few months. However, unless the decline in industrial operations is more severe and prolonged than now appears probable, increased income (resulting from the greatly improved level of business late last year) will continue to give support to consumer purchasing power until improvement again appears in conditions affecting the domestic demand for farm products.

EXPORT DEMAND

Exports of agricultural products during the first 4 months after the outbreak of war in Europe have tended to confirm previous indications that the war would not result in an early increase in export demand. Substantial declines from a year earlier were reported for exports of tobacco, grains, and fruits, whereas meat products, lard, and cotton exports were higher than a year earlier.

In case of tobacco and fruits the sharp declines in exports may be attributed to the European war, but grain exports had almost disappeared before the war began, as a result of relatively high prices in the United

States arising partly from unfavorable crop conditions. The gains in meat and lard exports have been less since the war started than before it began, and prospects for the near future are even more unfavorable. The increase in cotton exports for the season as a whole cannot be attributed entirely or even largely to the war, since the export subsidy and subnormal European stocks no doubt would have resulted in much of this gain even if war had not occurred. The war, however, probably contributed to a greater concentration of export orders during the early part of the season.

It appears, therefore, that the war has exerted an unfavorable rather than a favorable influence on exports of farm products as a whole, with few individual commodities excepted.

The principal factors responsible for this situation have been apparent for some time. Buying by belligerents is being drastically curtailed where practicable (as in tobacco), purchases are being negotiated in markets where exchange relationships are most advantageous or in some instances where the purchases will better serve the purpose of war strategy, and food rationing (only 37 cents worth of fresh meat per week per person is soon to be allowed in Great Britain) is being gradually extended in order to reduce import needs.

Reduced foreign demand for agricultural products incident to the European war does not necessarily mean that the over-all effect of the war on demand for American farm products will be unfavorable. Increased foreign takings of industrial products will furnish additional jobs for domestic consumers; the resulting increase in domestic demand may more than counterbalance the retarding effects of war on farm product exports.

WHOLESALE COMMODITY PRICES

The general level of wholesale prices recently has displayed some weakness which may continue during the current industrial recession. But the underlying factors are strong compared with other periods in which general business conditions were somewhat similar, and no extensive price liquidation is in prospect. A considerable pickup later in 1940 would not be surprising.

Although the trend of industrial activity had been upward for 15 months before the present European war started, commodity prices had failed to reflect this improvement in the usual manner. However, the extremely narrow range in which the price index, exclusive of farm and food products, had held for 10 months ending with August 1939 (80.1 to 80.6 percent of the 1926 average), was suggestive of a probable early upturn if general business continued to expand. Under these circumstances the response of prices to the outbreak of war in Europe was immediate. Business men and speculators hurriedly placed orders against the possibility of a major war-inspired advance. The price rises which resulted from this hurried buying were sharper in many commodities than underlying conditions warranted and many have settled back; but on the whole prices exclusive of the farm and food groups have held about 80 percent of the September-October 1939 gains. Wholesale prices of farm products (raw materials) are on the whole as high now as they were last September after the outbreak of war in Europe, but nearly half of the panicky rise in wholesale food prices (processed products) has been lost.

Recent stability in prices of farm and food products, arising partly from offsetting changes in supply conditions, is in contrast to weakness in all other groups. It is already evident that the declining trend of industrial production during the early months of 1940 will exert pressure on industrial commodity prices. Some farm commodities will be similarly affected. However, commodity prices probably will not fall seriously if the decline in industrial activity proves to be only temporary, and moderate price advances may accompany possible business improvement later in the year. The European war will probably cause business men to continue to maintain larger stocks than they otherwise would and speculators will be on the alert for signs of inflationary price advances which are characteristic of wars.

Price advances in several European nations have been much greater than in this country since last August (see cover chart). This may be largely a reflection of higher transporation costs on imported goods, and should not be interpreted as positive indication of the beginnings of inflation in these countries.

FARM INCOME

Farm income in January was increased by the large amount of corn placed under loan and the redemption of over 13,000,000 bushels of wheat which netted farmers about 15 cents per bushel. Farm prices averaged slightly higher in January and marketings of many farm products were larger than a year earlier, so that total cash income was somewhat higher than in January last year. Government payments continued large in January.

Income in February also is expected to exceed that of February last year although income from truck crops, citrus fruits, and strawberries may be reduced somewhat because of extensive damage from recent freezes in the Southern States.

In 1939 farm income declined much more than seasonally from January to June. With the higher level of consumer incomes now prevailing and the larger amount of farm products likely to be marketed, it does not now seem probable that farm income in the next few months will decline as in 1939 and it is likely that income in the first half of 1940 will total higher than a year earlier.

PRICES RECEIVED AND PAID BY FARMERS

The general level of prices received by farmers probably rose somewhat from mid-January to mid-February. Market prices of grains and cotton changed little during the monthly interval, and livestock and dairy product prices declined. But prices of fruit and truck crops advanced sharply as a result of weather conditions, and egg prices also were affected.

The general level of farm prices in January was at 99 percent of the 1910-14 average, up three points from December and the highest in 2 years. The rise for the month was distributed among nearly all important products except poultry.

Prices paid by farmers remained at 122 percent of the 1910-14 average in January, unchanged for the fifth consecutive month, and probably were at this same level in February. The ratio of prices received to prices paid probably advanced slightly in February; the January ratio was 81 percent of the 1910-14 average.

COTTON

Domestic cotton consumption in January, as in October and November, established a new high for the month. This was due largely to the high level of business activity, relatively high prices of competing fibers or textiles, and increased export sales of cotton textiles. Manufacturers' sales of cotton textiles were apparently well below production in January and early February as in most weeks since September. Some decline in the seasonally adjusted rate of mill activity occurred in January and early February. Reduced unfilled orders and the recent downturn in domestic industrial activity may materially reduce domestic consumption during the months immediately ahead. Nevertheless, consumption for the season may not fall far below the previous high of 7,950,000 bales established in 1936-37.

Cotton consumption in many foreign countries continues considerably higher than a year ago with a large part of the output going to fill Government contracts. Consumption in Central Europe is greatly restricted. In Great Britain new orders have been relatively small in recent weeks, but unfilled orders are said to be still large. In Italy and Japan cotton textile export business and cotton mill consumption are increasing.

Exports of American cotton in January were 3-1/2 times as large as the unusually small exports of January 1939 and the largest for the month since 1927. During the first 13 days of February they were 3-1/3 times as large as in the corresponding period last year. From August 1 to February 13 domestic exports totaled 4,400,000 running bales, approximately 2,100,000 bales more than during the like period last season. The heavy reported sales under the Government's 1939-40 export payment program suggest that exports during the remainder of the season should be at least 1-1/2 times as large as in the corresponding period last year unless transportation becomes too difficult.

Domestic cotton prices declined about 3/4 cent a pound from January 2 to January 23 but by mid-February were 1/2 cent above the January low and approximately the same as those of mid-January. The average price of 10.66 cents for Middling 7/8 inch in the 10 markets on February 14 was only 0.03 cent more than on January 13 and 0.14 cent less than on January 15. It was approximately 2 cents higher than at the beginning of the European War in early September and 2 cents higher than the February 1939 average.

WHEAT

Domestic wheat prices declined during the last half of January, influenced by moderating weather and snow melting into the soil over much of the winter wheat belt and by uncertainty regarding the liquidation of wheat loans. However, during the first half of February prices again advanced, reflecting

increased demand for both wheat and flour, the likelihood of cold weather damage to wheat in Europe, and renewed concern over poor United States winter wheat prospects. The price of No. 2 Hard Winter wheat at Kansas City on February 13 averaged 98.0 cents per bushel compared with the recent low daily average of 95.1 cents on February 1, and 99.3 cents on January 15. The price of No. 1 Dark Northern Spring wheat at Minneapolis on February 13 averaged 102.7 cents per bushel compared with 100.9 cents on February 1 and 103.4 on January 15.

Gulf prices of Hard Winter wheat continue at about 25 cents per bushel above export parity, while prices of domestic spring wheat at Buffalo are only about 11 cents lower than approximately the same quality of Canadian wheat, c.i.f., duty paid, at Buffalo.

On January 19 the program to indemnify exports of both wheat and flour from the Pacific Coast to China and Hong Kong was made effective. As a result, sales of Pacific Northwest wheat to eastern United States markets, which in December had amounted to about one million bushels including flour, have been discontinued.

Stocks of wheat in the United States on January 1 are estimated at 615 million bushels compared with 654 million bushels a year earlier. Exports of wheat and of flour made wholly of United States wheat for the July-December period were 28 million bushels compared with 45 million bushels in the same months in 1938. Domestic disappearance was 366 million bushels compared with 386 million bushels a year earlier.

CORN AND OTHER FEED GRAINS

Prices of feed grains declined slightly from the middle of January to the week ended February 10, but prices are still near the highest level in 2 years. The growth of spring forage and prospects for the 1940 feed crops will become increasingly important as price-influencing factors during the next few months. During the past 2 or 3 months feeding ratios have been generally unfavorable to livestock feeders, in contrast with the favorable ratios during most of the past 2 years. The hog-corn price ratio at Chicago for the week ended February 10 was 8.9 compared with 14.2 for last October. Less favorable ratios may be reflected in some reduction in the rate of livestock feeding per animal unit during 1940.

On February 9, 1940 about 152 million bushels of 1939 corn were reported as sealed for loan. In 1938 the circulation of forms started somewhat earlier and on February 9, 1939 158 million bushels had been reported as sealed. Sealing of 1939 corn during the entire period ending March 31, 1940, is expected to be about as large as the 225 million bushels of 1938 corn sealed. The total quantity of corn sealed or held by the Government on February 9 was reported to be about 406 million bushels.

During the period October-December 1938, 13.9 million bushels of corn were exported, and during the corresponding period of 1939, 12.2 million bushels were exported. Incomplete reports indicate that exports in January were somewhat larger than in December, and they may have been larger than the 7.2 million bushels exported in January 1939. Barley exports during the period July-December were much smaller than in that period a year earlier.

OILSEEDS, FATS, AND OILS

Continuing the advances begun last September, prices of cottonseed, soybeans, flaxseed, and peanuts advanced further in January. The average price of cottonseed at Dallas in January was $30.20 per ton, $8.20 higher than a year earlier. No. 2 Yellow soybeans at Chicago, at $1.16 per bushel, were 32 cents (or 38 percent) higher in January this year than last. No. 1 flaxseed at Minneapolis, averaging $2.18 per bushel, was 19 cents (or 10 percent) higher. And the farm price of peanuts in mid-January, at 3.56 cents per pound, was 5 percent higher than in mid-January 1939.

Factors tending to bring about increased prices of oilseeds in recent months have included the sharp rise in prices of high-protein meals and cotton linters, and strength in prices of linseed oil. Soybean-oil prices were slightly higher in January this year than last, but cottonseed-oil prices were lower. Mill stocks of cottonseed on December 31, however, totaling 1,162,000 tons, were 15 percent less than a year earlier.

With prices that compare favorably with those for competing crops, it seems likely that the acreage devoted to soybeans, flaxseed, and peanuts will be expanded in 1940. Increased production of soybean oil and peanut oil during the 1940-41 marketing season probably would have a depressing effect on prices of most domestic food fats and oils, since the United States already has a surplus of lard and soybean oil which can be disposed of only at relatively low prices. A further increase in domestic production of flaxseed probably would also tend to depress prices, unless flaxseed production in Argentina again is small in 1940.

The production of fats and oils from domestic materials in the United States amounted to 8.4 billion pounds in 1939, 400 million pounds more than the previous record production in 1938. Increased production of lard, tallow, soybean oil, linseed oil, greases, fish oils, and corn oil more than offset reductions in cottonseed oil, whale oil, butter, oleo oil, oleostearine, and peanut oil. Imports of fats, oils, and oilseeds were reduced during 1939, while exports were expanded. The net balance of imports, mostly of industrial fats, oils, and oil-bearing materials, however, continued large, totaling about 1.3 billion pounds. Stocks were reduced slightly during the year, while consumption of fats and oils was increased to a new record total of more than 9.8 billion pounds.

HOGS

The seasonal decrease in slaughter supplies of hogs now in progress probably will continue through March, but marketings will increase seasonally in the late spring and early summer as the movement of fall pigs gets under way in large volume. The 1939 fall pig crop was 16 percent larger than the fall pig crop of 1938, and this will be reflected in substantially larger hog marketings in the last half of the current marketing year (April-September). Although some weakness in demand may develop in the next few months, consumer demand for meats during the spring and summer of this year will probably be stronger than a year earlier.

After advancing moderately in late December, hog prices declined slightly during January and in the first week of February. The average price of butcher hogs at Chicago for the week ended February 10 was about $5.15, 35 cents lower than the average for the first week of January and $2.40 lower than in the corresponding week of 1939. Corn prices remained about steady during January, and the ratio of hog prices to corn prices continued well below average. In early February the hog-corn price ratio at Chicago stood at 8.9 compared with 15.8 a year earlier.

Average weights of hogs marketed in January were seasonally heavier than a month earlier, but were several pounds lighter than in January, 1939. The reduction under a year earlier apparently reflects the unfavorable ratio of hog prices to corn prices in the past 2 months.

Marketings of hogs continued large in January. Federally inspected slaughter for the month totaled 5,356,000 head, about 2 percent larger than in December and 32 percent more than in January last year. Inspected slaughter in the first 4 months (October-January) of the current hog marketing year totaled 18.6 million head and was about 20 percent larger than in the corresponding period of the 1938-39 season. The 1939 spring pig crop in the Corn Belt was about 21 percent larger than that of 1938.

Total exports of pork products in 1939 amounted to 129.5 million pounds, compared with 95.6 million pounds in 1938. The largest increase over a year earlier was in shipments of fresh and frozen pork to Canada. Exports of lard in 1939 amounted to 277 million pounds amd were about 36 percent larger than a year earlier. Exports were largest to the United Kingdom, which received about 150 million pounds of the total amount exported.

CATTLE

Slaughter supplies of grain-fed cattle will continue large during the remainder of the winter and spring months as a result of a large increase in cattle feeding in both the Corn Belt and Western States.

Steer slaughter was larger than cow and heifer slaughter in 1939 for the first time in the past 6 years. Considerable liquidation of breeding stock took place from 1934 to 1937 because of short feed supplies and poor range conditions. But cow and heifer slaughter declined sharply in 1938 and 1939, reflecting the holding back of breeding stock on farms to increase cattle numbers. If range and feed conditions this year are favorable, marketings of cows and heifers probably will decline somewhat further in 1940. Steer slaughter in 1940, on the other hand, may be somewhat larger than in 1939, reflecting the large increase in the number on feed this winter.

Marketings of both cattle and calves were substantially larger in January than a month earlier. The number of cattle slaughtered under Federal inspection in January totaled 827,000 head, compared with 773,000 head in December and 761,000 head in January last year. Inspected calf slaughter totaling 416,000 head was 35,000 head larger than in December but was only

slightly larger than in January 1939. The number and proportion of well finished cattle marketed has declined steadily during the past 2 months, but marketings of short-fed cattle have increased.

Prices of most kinds of cattle tended lower during January. Prices of well finished slaughter steers advanced moderately near the middle of the month but weakened in late January and in early February. Prices of short-fed steers and of cows and heifers declined during most of this period. The average price of good grade beef steers at Chicago for the week ended February 10 was about $9.40 compared with $9.45 in the first week of January and $10.00 in the corresponding week of 1939. Prices of stocker and feeder cattle declined moderately during January.

From late March through early August last year the drop in prices of better grades of slaughter steers was much more pronounced than the decline in prices of other kinds of cattle. In recent months, however, prices of the better grades have been well maintained, while prices of most other kinds have shown a declining tendency. In early February, prices of the choice, prime, and good grades of slaughter steers were not greatly different from the level that prevailed from October through January. Prices of medium grade slaughter steers, slaughter heifers and cows, and stocker and feeder cattle were somewhat lower in early February than in the last quarter of 1939. Prices of nearly all kinds of cattle were lower in early February than a year earlier.

LAMBS

Marketings of fed lambs during the remainder of the fed-lamb marketing season, which ends about May 1, may be smaller than in the corresponding period of 1939. Marketings of fed lambs were large during January, but it is probable that the movement of fed lambs from the Corn Belt will be about completed during February. In early February the number of lambs left in feed lots in the Western feeding areas was about 10 percent smaller than a year earlier. Marketings of yearlings and early lambs from Texas may be larger this spring than last.

Early lamb prospects are good in California and Arizona, and early lambs are developing rapidly. Last spring there was a large early movement of lambs from California because of shortage of pasture. Recent heavy rainfall in that State indicates that pastures will be better this spring, with shipments of lambs later than last spring. Some loss of early lambs in January was reported in Texas because of unfavorable weather, but spring feed prospects are favorable in that State.

Lamb prices strengthened moderately during the first 3 weeks of January but declined somewhat in the latter part of the month and in early February. The average price of good and choice slaughter lambs at Chicago for the week ended February 10 was $8.90, about 10 cents lower than a month earlier but about 10 cents higher than in early February last year. Lamb prices have not differed greatly from a year earlier throughout the past 3 months. Slaughter supplies of sheep and lambs have been somewhat larger

than a year earlier during this period, but the effect upon prices has been slightly more than offset by a stronger demand for meats in the latter part of 1939 and early 1940 and higher prices for wool than a year earlier.

Marketings of sheep and lambs increased sharply in January. Federally inspected slaughter for the month totaled 1,598,000 head, 209,000 head more than in December and 142,000 head more than in January last year. Slaughter in January was the third largest for the month on record. Marketings of fed lambs have been larger than a year earlier for the past 3 months, reflecting chiefly the increase in the number fed in the Corn Belt.

WOOL

Domestic supply conditions are relatively favorable for the marketing of the 1940 wool clip in the United States in that the carry-over of wool in this country into the new marketing season, which begins about April 1, is expected to be smaller than that of a year earlier.

Domestic mill consumption in 1940, on the other hand, may not be so large as in 1939. In recent years there has been a decided tendency for a decrease in consumption to follow a year of increasing consumption. Consumption has been large for the last 18 months. In 1939 mill consumption was 30 percent greater than in 1938; except for 1935, it was larger than in any recent year. Consumer incomes in 1940 probably will be greater than in 1939, however, and the stimulating effect of this upon retail sales will be a strengthening influence on domestic mill consumption of wool.

Sales of domestic wool at Boston were small in January and early February. Prices at Boston declined 2 to 4 cents a pound, grease basis, between January 13 and February 10. Prices for the week ended February 10 were about 33 percent higher than a year earlier. Prices of domestic wools in recent months have been higher than prices (duty paid) of similar wools from South Africa and South America. Wool prices in foreign markets advanced in January. Total stocks in the hands of dealers and manufacturers and on farms and ranches and in country warehouses in the Western States reported at the end of December 1939 were 32 million pounds smaller than a year earlier and were the smallest December 31 stocks in the 6 years of record.

United States imports of apparel wool for consumption totaled 98 million pounds in 1939 compared with 31 million pounds in 1938 and a 5-year, 1933-37, average of 78 million pounds. Because of the small supplies of domestic wool available, imports of wool in the early part of 1940 are likely to be larger than at any time since early 1937.

Domestic mill consumption of apparel wool in December was 15 percent smaller than in November and was 6 percent smaller than in December 1938. Consumption in December was lower than a year earlier for the first time since June 1938.

Production of wool in Australia for the 1939-40 season is estimated at about 1.1 billion pounds. This preliminary estimate is 11 percent larger than the 1938-39 clip and is the largest production on record for Australia. The entire Australian clip for the 1939-40 season, exclusive of the quantity needed for Australian consumption, was purchased by the British Government. About 37.5 million pounds of this season's clip have been made available to United States buyers.

BUTTER

Butter prices advanced from December to January instead of making the usual seasonal decline. The severe weather in January tended to curtail production. Market prices of butter in January rose above the level at which the Dairy Products Marketing Association had offered to sell butter, and the major part of the holdings of the D.P.M.A. purchased in 1939 was sold back to the trade. Even though there is a further decline in business activity, butter prices during the remainder of the feeding period and in the early summer are expected to average considerably higher than in the same period of 1939.

Production of butter in December was 4 percent less than a year earlier, but 7 percent above the 1934-38 December average. According to weekly reports, production in January was also less than a year earlier, but by early February was somewhat larger. Production during the remainder of the feeding season is expected to continue relatively high compared with the average of recent years.

Consumption of creamery butter in December was slightly less than the large consumption for December 1938. The decrease was due to the decline in distribution for relief, as trade output through regular commercial channels was about 5 percent larger than in December 1938. Retail prices of butter in December were up about 1 percent. Apparently, consumer expenditures for butter were about 6 percent larger than a year earlier, but not greatly different than in November. During the first half of 1940 consumer expenditures for butter will be considerably larger than in the same period of 1939.

Stocks of butter have declined rapidly, and on a per capita basis on February 1 were decidedly below average for that date.

POULTRY AND EGGS

This is the first year during which egg production per hen decreased between January 1 and February 1. The rate of production on January 1 was the highest on record for that date, but the generally cold weather resulted in a 9 percent decrease in rate of lay on February 1, whereas the number of eggs laid per hen normally increases about 40 percent between these two dates. The rate of lay on February 1 was 25 percent below the rate of a year earlier and about 8 percent below the 1929-38 average. But the effects of this decrease on total egg production are counteracted somewhat by the increase in average size of farm flocks, compared with a year earlier.

The reduced production and bad weather caused egg receipts at the four markets during the first 5 weeks of this year to be about 14 percent less than a year earlier and about 7 percent below the 1929-38 average for that period. The smaller receipts have resulted in higher wholesale prices of eggs, and the Chicago feed-egg ratio has become somewhat more favorable. However, this is probably a temporary condition which will be changed somewhat with the expected increase in receipts. The price of the poultry ration at Chicago is not expected to change much in the next few months.

Receipts of dressed poultry at the four principal markets have decreased from the abnormal high for January, reached during the week ended January 27, but will probably remain above average during the next few months. Receipts at the 26 markets for the week ended January 27 were 43 percent above both a year earlier and the 10-year average, but for the week ended February 3 were only 4 percent above the 1929-38 average. The larger receipts of dressed poultry during January resulted in a comparatively small out-of-storage movement, and United States storage stocks on February 1 were 25 percent higher than a year earlier and 39 percent above the 1929-38 average.

The January 15 farm price of eggs (18.3 cents) was one-half cent below a year earlier and 5.9 cents below the 10-year average, while the mid-January price of chickens (12.0 cents) was 1 cent below a year earlier and 2 cents below average. Because of the low prices of poultry and eggs, the demand for baby chicks is expected to continue to be weak during the next few months.

POTATOES

Market prices of old stock potatoes remained very stable in recent weeks but those of the new crop advanced sharply. The freeze in south Florida destroyed the vines of the growing crop and reduced production prospects more than 650,000 bushels, from an estimated 1,461,000 bushels to 802,000 bushels. As a consequence market supplies of new potatoes are expected to be considerably smaller than a year earlier until about the middle of April when the north Florida crop becomes available.

Marketings of old stock progressed normally during January with about 21,000 cars shipped by rail or boat, compared with about 20,000 cars shipped during the comparable period last year. Total stocks of 1939 crop potatoes of about 103 million bushels on January 1 were about the same as a year earlier. A reduction from a year earlier of 3.3 million bushels in the Central late and intermediate States about offset a 2.4 million bushel increase in the Western States. In the Eastern States stocks were reduced only slightly below a year earlier.

TRUCK CROPS

Market prices of most vegetables rose sharply in recent weeks as a result of the reduction of supplies occasioned by the freezing weather in Florida and Texas. Only prices of carrots, cauliflower, celery, kale, and western lettuce failed to share in the advance. Most of these crops are

produced largely in California during this period of the year and so were not affected by the freeze.

Replanting of some of the lost acreages has made rapid progress but the crops will be late and supplies during the next 2 months are expected to be reduced considerably as compared with earlier prospects and last year. If favorable weather prevails, however, market supplies of truck crops in April and May probably will be unusually heavy because of the delayed marketings of some of the earlier crops.

The winter crop of snap beans in Florida is now expected to be 55 percent smaller than in 1939, production of beets in Texas will probably be 31 percent smaller than a year ago, and early-crop cabbage in California, Florida, and Texas 19 percent below 1939. The winter crop of peppers in Florida has been cut to 40,000 bushels compared with 1,000,000 bushels produced last year. Spinach suffered considerable damage and production in the early States is now expected to be 16 percent below that of a year ago.

FRUITS

Severe freeze damage in Florida and Texas during late January reduced production prospects and retarded marketings of winter oranges and grapefruit. Prices for these two fruits advanced sharply and in early February averaged substantially higher than both a month earlier and a year earlier. Market prices of storage apples and pears rose seasonally during the month ended in mid-February.

Winter orange production is estimated to be reduced nearly 8 million boxes by the freeze and is now indicated to total 47 million boxes compared with 55.6 million a year earlier. Grapefruit production is indicated to be reduced nearly 6 million boxes and now totals 30.8 million boxes compared with 43.7 million boxes a year earlier. Prospects for lemons improved slightly during January, and the indicated crop totals 11.1 million boxes, or about the same as that of the bloom of 1938.

In order to prevent frozen oranges and grapefruit from flooding the market, a shipping embargo was made effective February 1 to February 8 in Florida. Total shipments, therefore, were reduced sharply during the week ended February 10. Orange shipments for the country as a whole amounted to only 1,093 cars compared with 2,973 cars the previous week. Grapefruit shipments were only 675 cars against 1,125 the previous week.

Cold storage holdings of apples amounted to 20.3 million bushels on February 1 and indicate that marketings were unusually heavy despite the loss of the export outlet. The Federal Surplus Commodities Corporation continues to purchase apples and pears for relief distribution. About 3,300 cars of apples and 200 cars of pears have been purchased since the first of January.

The January freeze damaged most of the Florida strawberries then available for shipment, and market prices have risen sharply in recent weeks. Market supplies are expected to increase, however, as soon as a new set of berries develops.

Economic trends affecting agriculture
Index numbers: Indicated base period = 100

Year and month	Industrial production 1/	Construction contracts awarded 1/	Factory employment 2/	Factory payrolls 2/	Income of industrial workers 3/	Volume of agricultural exports 4/	Wholesale prices of all commodities 5/	Retail food prices 6/	Prices received by farmers 7/	Prices paid by farmers	Ratio of prices received to prices paid	Cash income from farm marketings 8/
Base period	1923-25	1923-25	1923-25	1923-25	1924-29	1910-14	1910-14	1913	1910-14	1910-14	1910-14	1924-29
1929	119	117	106	110	107	107	139	166	146	153	95	104
1930	96	92	92	89	88	82	126	158	126	145	87	83
1931	81	63	78	68	67	88	107	130	87	124	70	58
1932	64	28	66	47	46	94	95	108	65	107	61	44
1933	76	25	73	50	48	85	96	105	70	109	64	49
1934	79	32	86	64	61	66	109	117	90	123	73	58
1935	90	37	91	74	69	61	117	128	108	125	86	65
1936	105	55	99	86	80	55	118	130	114	124	92	76
1937	110	59	109	102	94	65	126	135	121	130	93	81
1938	86	64	90	78	73	75	115	125	95	122	78	71
1939 9/	105	72	97	91	83	65	113	122	93	121	77	72
1939-												
Jan.	101	86	92	84	80	61	112	123	94	120	78	68
Feb.	99	73	94	86	79	66	112	122	92	120	77	60
Mar.	98	69	94	88	79	69	112	121	91	120	76	64
Apr.	92	67	94	86	75	55	111	121	89	120	74	64
May	92	63	93	85	75	62	111	121	90	120	75	65
June	98	63	93	86	80	46	110	121	89	120	74	60
July	101	67	94	84	80	51	110	121	89	120	74	62
Aug.	103	73	96	90	83	63	109	119	88	119	74	71
Sept.	111	73	100	94	86	81	115	125	98	122	80	79
Oct.	121	76	104	102	91	82	116	124	97	122	80	72
Nov.	124	83	104	102	93	56	116	123	97	122	80	74
Dec. 9/	128	87	104	104	93	75	116	122	96	122	79	76
1940-												
Jan. 9/	120						116	122	99	122	81	

Continued -

Economic trends affecting agriculture - Continued

1/ Federal Reserve Board, adjusted for seasonal variation.
2/ Bureau of Labor Statistics, without seasonal adjustment. Revised September 1939.
3/ Adjusted for seasonal variation. Includes factory, railroad, and mining employees. Revised October 1939.
4/ Foreign Agricultural Relations, July 1909-June 1914 = 100, adjusted for seasonal variation.
5/ Bureau of Labor Statistics, 1926 = 100, converted to 1910-14 = 100.
6/ Bureau of Labor Statistics, 1923-25 = 100, converted to 1913 = 100.
7/ August 1909 - July 1914 = 100.
8/ Adjusted for seasonal variation.
9/ Preliminary.